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I. SUMMARY AND BACKGROUND

A. Purpose and Summary

The bill, H.R. 1619, as amended, increases the limitation on capital losses applicable to individuals.

The bill provides net tax reductions of over \$ 9.871 billion over fiscal years 2003-2007.

B. Background and Need for Legislation

The provision approved by the Committee reflects the need to increase the limitation on capital losses applicable to individuals.

C. Legislative History

Committee Action

The Committee on Ways and Means marked up the provisions of the bill on October 7 and 8, 2002, and reported the provisions, as amended, on October 8, 2002, by a roll call vote of 24 yeas and 11 nays (with a quorum being present).

II. EXPLANATION OF THE BILL

Increase In Limitation on Capital Losses Applicable to Individuals

Present Law

Capital losses of individuals are deductible in full against capital gains. In addition, individual taxpayers may deduct capital losses against up to \$3,000 (\$1,500 in the case of a married individual filing a separate return) of ordinary income in each taxable year. Any remaining unused capital losses may be carried forward indefinitely to future taxable years.

Reasons for Change

The Committee believes that the \$3,000 limitation on the deduction of capital losses against ordinary income, which has been in the law since 1978, is too restrictive. There has been significant inflation since that limit was enacted, and taxpayers who have capital losses that are not offset by capital gains should be able to deduct a greater amount against ordinary income.

Explanation of Provision

The maximum amount of capital losses that individual taxpayers may offset against ordinary income is increased to \$8,250 (\$4,125 in the case of a married individual filing a separate return).

These amounts are indexed for inflation, rounded to the next highest multiple of \$50 (\$25 in the case of a married individual filing a separate return).

Effective Date

The provision applies to taxable years beginning after December 31, 2001.

III. VOTES OF THE COMMITTEE

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the following statements are made concerning the votes of the Committee on Ways and Means in its consideration of the bill, H.R. 1619.

MOTION TO REPORT THE BILL

The bill, H.R. 1619, as amended, was ordered favorably reported by a roll call vote of 24 yeas to 11 nays (with a quorum being present). The vote was as follows:

Representatives	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Thomas.....	X			Mr. Rangel.....		X	
Mr. Crane.....	X			Mr. Stark.....		X	
Mr. Shaw.....	X			Mr. Matsui.....		X	
Mrs. Johnson.....	X			Mr. Coyne.....			
Mr. Houghton.....	X			Mr. Levin.....		X	
Mr. Herger.....	X			Mr. Cardin.....		X	
Mr. McCrery.....	X			Mr. McDermott.....			
Mr. Camp.....	X			Mr. Kleczka.....		X	
Mr. Ramstad.....	X			Mr. Lewis (GA).....			
Mr. Nussle.....	X			Mr. Neal.....			
Mr. Johnson.....	X			Mr. McNulty.....		X	
Ms. Dunn.....	X			Mr. Jefferson.....			
Mr. Collins.....	X			Mr. Tanner.....		X	
Mr. Portman.....	X			Mr. Becerra.....		X	
Mr. English.....	X			Mrs. Thurman.....		X	
Mr. Watkins.....	X			Mr. Doggett.....			
Mr. Hayworth.....	X			Mr. Pomeroy.....		X	
Mr. Weller.....	X						
Mr. Hulshof.....	X						
Mr. McInnis.....	X						
Mr. Lewis (KY).....	X						
Mr. Foley.....	X						
Mr. Brady.....	X						
Mr. Ryan.....	X						

VOTES ON AMENDMENTS

A roll call vote was conducted on the following amendment to the Chairman's amendment in the nature of a substitute.

A substitute amendment by Mr. Pomeroy, was defeated by a roll call vote of 8 yeas to 27 nays. The vote was as follows:

Representatives	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Thomas.....		X		Mr. Rangel.....	X		
Mr. Crane.....		X		Mr. Stark.....	X		
Mr. Shaw.....		X		Mr. Matsui.....	X		
Mrs. Johnson.....		X		Mr. Coyne.....			
Mr. Houghton.....		X		Mr. Levin.....	X		
Mr. Herger.....		X		Mr. Cardin.....	X		
Mr. McCrery.....		X		Mr. McDermott.....			
Mr. Camp.....		X		Mr. Kleczka.....	X		
Mr. Ramstad.....		X		Mr. Lewis (GA).....			
Mr. Nussle.....		X		Mr. Neal.....			
Mr. Johnson.....		X		Mr. McNulty.....	X		
Ms. Dunn.....		X		Mr. Jefferson.....			
Mr. Collins.....		X		Mr. Tanner.....		X	
Mr. Portman.....		X		Mr. Becerra.....		X	
Mr. English.....		X		Mrs. Thurman.....		X	
Mr. Watkins.....		X		Mr. Doggett.....			
Mr. Hayworth.....		X		Mr. Pomeroy.....	X		
Mr. Weller.....		X					
Mr. Hulshof.....		X					
Mr. McInnis.....		X					
Mr. Lewis (KY).....		X					
Mr. Foley.....		X					
Mr. Brady.....		X					
Mr. Ryan.....		X					

IV. BUDGET EFFECTS OF THE BILL

A. Committee Estimate of Budgetary Effects

In compliance with clause 3(d)(2) of the rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of the revenue provisions of the bill, H.R. 1619 as reported.

The bill is estimated to have the following effects on budget receipts for fiscal years 2003-2007:

[Insert revenue table]

B. Statement Regarding New Budget Authority and Tax Expenditures Budget Authority

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the bill involves no new or increased budget authority. The Committee further states that the revenue reducing income tax provision involves increased tax expenditures. (See amounts in table in Part IV.A., above.)

C. Cost Estimate Prepared by the Congressional Budget Office

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, requiring a cost estimate prepared by the CBO, the following statement by CBO is provided.

[Insert CBO letter (to be supplied)]

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. Committee Oversight Findings and Recommendations

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that it was a result of the Committee's oversight review concerning the tax burden on individual taxpayers that the Committee concluded that it is appropriate and timely to enact the revenue provision included in the bill as reported.

B. Statement of General Performance Goals and Objectives

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that the bill contains no measure that authorizes funding, so no statement of general performance goals and objectives for which any measure authorizes funding is required.

C. Constitutional Authority Statement

With respect to clause 3(d)(1) of the rule XIII of the Rules of the House of Representatives (relating to Constitutional Authority), the Committee states that the Committee's action in reporting this bill is derived from Article I of the Constitution, Section 8 ("The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises. . ."), and from the 16th Amendment to the Constitution.

D. Information Relating to Unfunded Mandates

This information is provided in accordance with section 423 of the Unfunded Mandates Act of 1995 (P.L. 104-4).

The Committee has determined that the bill does not contain Federal mandates on the private sector. The Committee has determined that the bill does not impose a Federal intergovernmental mandate on State, local, or tribal governments.

E. Applicability of House Rule XXI 5(b)

Rule XXI 5(b) of the Rules of the House of Representatives provides, in part, that "A bill or joint resolution, amendment, or conference report carrying a Federal income tax rate increase may not be considered as passed or agreed to unless so determined by a vote of not less than three-fifths of the Members voting, a quorum being present." The Committee has carefully reviewed the provisions of the bill, and states that the provisions of the bill do not involve any Federal income tax rate increases within the meaning of the rule.

F. Tax Complexity Analysis

Section 4022(b) of the Internal Revenue Service Reform and Restructuring Act of 1998 (the "IRS Reform Act") requires the Joint Committee on Taxation (in consultation with the

Internal Revenue Service and the Department of the Treasury) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the House Committee on Ways and Means, the Senate Committee on Finance, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code and has widespread applicability to individuals or small businesses.

The staff of the Joint Committee on Taxation has determined that a complexity analysis is not required under section 4022(b) of the IRS Reform Act because the bill contains no provisions that amend the Internal Revenue Code and that have "widespread applicability" to individuals or small businesses.

**VI. CHANGES IN EXISTING LAW MADE BY THE BILL,
AS REPORTED**

In compliance with clause 3(e) of rule XIII of the Rule of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

[TO BE SUPPLIED BY LEGISLATIVE COUNSEL'S OFFICE]

VII. DISSENTING VIEWS